

# Commercial Contract

## GUARANTEE INSURANCE



*Empowered lives.  
Resilient nations.*



## Small and Medium Enterprises Development Authority

### Ministry of Industries & Production

### Government of Pakistan

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## **Guarantee Insurance**

Pro-Gole (Right to do Business)

Legal Services, B&SDS

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### LEGAL SERVICES, SMEDA

The Legal Services (LS) department is a part of Business & Sector Development Services Division of the Small Medium Enterprises Development Authority and plays a key role in providing an overall facilitation and support to the small businesses. The LS believes that information dissemination among the small businesses on the existing legal & regulatory environment and business to business and business to client contracting is of paramount importance and plays a pivotal role in their sustainable development.

In order to facilitate small businesses, the LS, under the Pro-GOLE (Right to do business) project, a joint SMEDA-UNDP initiative for supporting the small businesses, has developed user-friendly contract templates.

### Pro-GOLE, (Right to do Business)

The UNDP has partnered with the Small and Medium Enterprises Development Authority to initiate and execute the Pillar 4 (Right to do business) component of the UNDP PRO-GOLE project which seeks to enhance the legal awareness and mobility of marginalized/ informal businesses. Under the project legal services outreach shall be extended to small businesses including home based enterprises, small shopkeepers, growers, women entrepreneurs, hawking vendors etc. In addition, small business shall be mobilized to access legal services.

### The Need for Commercial Contracts Templates

In an increasingly complex and competitive industry, it is vital that suppliers and purchasers are fully protected against legal and commercial risks. To counter such risks, a viable solution; available as- of the shelf commercial contract templates- will provide the users with first class ready to use support. With obligations properly set out and liabilities accurately defined, the users will be in a far better position to look after their rights and interests and move forward from their marginalized positions to being active players of the economy. The Legal Service Providers can equally take benefit of these templates for their professional and business development.

### Disclaimer

The information contained in this template is meant to facilitate the businesses in documenting transactions with reference to insurance matters. However, SMEDA, UNDP or any of their employees or representatives accept no responsibility and expressly disclaim any and all liabilities for any and all losses/shortfalls caused by or motivated by recommendations from the information contained within this document. Although SMEDA's ambition is to provide accurate and reliable information; yet, the document is not an alternative to expert legal advice and should ideally be used in conjunction with the same. Any person using this document and or benefiting from the information contained herein shall do so at his/her own risk and costs and be deemed to have accepted this disclaimer.

All information contained in this document may be freely used provided that relevant acknowledgement is accurately quoted with each usage.

## **Guarantee Insurance**

Pro-Gole (Right to do Business)

Legal Services, B&SDS

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### 9. GUARANTEE INSURANCE

THIS GUARANTEE INSURANCE (hereinafter referred to as the "Guarantee") is issued at \_\_\_\_\_ (insert place) on this \_\_\_\_ (insert date) day of \_\_\_\_\_ (insert month) 20\_\_ (insert year),

BY:

[Insert Name of the Bank], a banking company incorporated under the laws of \_\_\_\_\_ Pakistan having its Registered Office at \_\_\_\_\_ (insert address of registered office) and \_\_\_\_\_ a Branch at \_\_\_\_\_ (insert address of the branch) (hereinafter referred to as the "Guarantor", which expression shall, wherever the context so provides, include its successors, assigns, nominees and agents)

IN FAVOR OF:

M/s [insert Name], a public/private company incorporated under the Companies Ordinance, 1984, having its registered office at [insert Address] through its [insert Designation], Mr/Mrs/Ms [insert Name];

OR

M/s [insert Name], a partnership concern of Mr/Mrs/Ms [insert Name] and Mr/Mrs/Ms [insert Name], having its place of business at [insert Address] through its Partner, Mr/Mrs/Ms [insert Name];

OR

M/s [insert Name], a sole proprietorship concern of Mr/Mrs/Ms [insert Name], having its place of business at [insert Address] through Mr/Mrs/Ms [insert Name];

OR

Mr/Mrs/Ms [insert Name], son/wife/daughter of [insert Name], r/o [insert Address] CNIC # [insert Number]

(hereinafter referred to as the "Beneficiary", which expression shall, wherever the context so provides, include its successors, assigns, nominees and agents)

WHEREAS Mr/Mrs/Ms/M/s [Insert name of person/business], [insert residential address/place of business] (hereinafter referred to as the "Contractor") has entered into a [insert name of the agreement] dated [insert date] (hereinafter referred to as the "Agreement") with the Beneficiary for [insert purpose of the Agreement] (hereinafter referred to as the "Purpose").

## **Guarantee Insurance**

Pro-Gole (Right to do Business)

Legal Services, B&SDS

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AND WHEREAS it is a condition of the Agreement that the Contractor shall furnish to the Beneficiary a Guarantee for the sum of Rs. \_\_\_\_\_/- (Rupees \_\_\_\_\_) (insert amount) as security to insure the performance by the Contractor of the Purpose of the Agreement.

AND WHEREAS the Guarantor has agreed to furnish such Guarantee on behalf of the Contractor in favor of the Insurer.

NOW THEREFORE the Guarantor undertakes as follows:

1. That subject to Clause 8 of this Guarantee, the Guarantor shall be responsible to the Beneficiary, on behalf of the Contractor, to pay up to a maximum sum of Rs. \_\_\_\_\_/- (Rupees \_\_\_\_\_) (insert amount) to the Beneficiary, any sum which the Beneficiary demands from the Guarantor upon the failure of the Contractor to fulfill the terms and conditions of the Agreement.
2. That the Guarantor shall pay to the Guarantor the demanded sum under this Guarantee without seeking any proof of the Contractor's failure to abide by the terms and conditions of the Agreement, and the Beneficiary's written statement to the effect that the Contractor has not been able to fulfill the terms and conditions of the Agreement shall be deemed a sufficient proof of the Contractor's default.
3. The Guarantor shall pay to the Beneficiary the demanded sum without any recourse to the Contractor.
4. That this Guarantee shall be irrevocable and unconditional, and subject to Clause 8 of this Guarantee, any amount due against this Guarantee shall be payable within [insert number] days of the Beneficiary's first written demand to the Guarantor, along with a written statement of the Contractor's default.
5. That the Beneficiary shall not be obligated to demand any dues from the Contractor before demanding any payment under this Guarantee from the Guarantor.
6. The Beneficiary shall be the sole and final judge for deciding whether the Contractor has duly performed its obligations under the Agreement or has defaulted in fulfilling the said obligations, and the Guarantor further agrees that subject to Clause 8 of this Guarantee, the Guarantor's liability under this Guarantee shall be independent of any dispute between the Beneficiary and the Contractor, whatsoever.
7. That the Guarantor agrees and undertakes that no change or addition to or other modification of the terms of the Agreement between the

## Guarantee Insurance

Pro-Gole (Right to do Business)

Legal Services, B&SDS

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Beneficiary and the Contractor shall in any way release the Guarantor from any liability under this Guarantee, and we hereby waive notice of any such change, addition or modification.

8. That this guarantee is valid from the date of execution of this Guarantee, and shall become null and void after [insert number] months, i.e. [insert date] (hereinafter referred to as the "Date of Expiry"). Any claim under this Guarantee shall be lodged at our counters within the normal working hours, on or before the Date of Expiry of the Guarantee, failing which we shall be absolved of our obligations under this Guarantee irrespective of whether this Guarantee has been returned to us in original, or not.

IN WITNESS WHEREOF, the Guarantor has executed the Guarantee at the place, and on the date, mentioned hereinabove.

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For and on behalf of  
The Guarantor

WITNESS NO. 1

Signature: \_\_\_\_\_

Name: \_\_\_\_\_

Designation: \_\_\_\_\_

Date: \_\_\_\_\_

WITNESS NO. 2

Signature: \_\_\_\_\_

Name: \_\_\_\_\_

Designation: \_\_\_\_\_

Date: \_\_\_\_\_